

**BOYNE CITY PUBLIC SCHOOLS**

**BOYNE CITY, MICHIGAN**

**JUNE 30, 2008**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

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BOYNE CITY, MICHIGAN

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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August 8, 2008

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Boyne City Public Schools  
Boyne City, Michigan 49712

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Boyne City Public Schools, Boyne City, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boyne City Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne City Public Schools, Boyne City, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008, on our consideration of Boyne City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boyne City Public Schools basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the School District. The combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Boyne City Public School District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2008. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

**FINANCIAL HIGHLIGHTS**

The assets of the Boyne City Public School District exceeded its liabilities at the close of the most recent fiscal year by \$14,175,282 (net assets).

The district's total net assets increased by \$312,156 in the 2007-2008 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$3,391,251.

**USING THIS ANNUAL REPORT**

Generally accepted accounting principals (GAAP) according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The annual report also contains supplemental information in addition to the basic financial statements.

**Reporting the District as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

*Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

*Governmental Funds*

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the District's net assets as of June 30, 2008 and a comparison to June 30, 2007.

TABLE 1

	<u>Governmental Activities</u>	
<b>Assets</b>	<u>2008</u>	<u>2007</u>
Current Assets	\$ 6,209,032	\$ 6,334,519
Non Current Assets	<u>21,620,269</u>	<u>22,313,305</u>
Total Assets	<u>\$ 27,829,301</u>	<u>\$28,647,824</u>
<b>Liabilities</b>		
Current Liabilities	\$ 2,791,720	\$ 2,775,569
Non Current Liabilities	<u>10,862,299</u>	<u>12,009,129</u>
Total Liabilities	<u>\$ 13,654,019</u>	<u>\$14,784,698</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 9,585,551	\$ 9,208,688
Restricted		
Restricted for Debt Service	911,233	745,508
Unrestricted	<u>3,678,498</u>	<u>3,908,930</u>
Total Net Assets	<u>\$ 14,175,282</u>	<u>\$13,863,126</u>

The district currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in the statement of activities (Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.



BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

TABLE 2

	<u>2008</u>	<u>2007</u>
	<u>Amount</u>	<u>Amount</u>
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ 519,062	\$ 552,473
Operating Grants	2,076,228	1,932,525
General Revenues		
Property Taxes	7,249,268	6,996,793
State School Aid	3,786,465	4,097,547
Investment Earnings	176,632	222,601
Other	<u>249,700</u>	<u>249,072</u>
Total Revenue	<u>14,057,355</u>	<u>14,051,011</u>
<b>Functions/Program Expenses</b>		
Instruction	7,549,008	7,292,268
Supporting Services	3,698,614	3,651,650
Community Services	214,313	208,651
Food Service	520,945	470,236
Athletics	297,547	296,022
Interest on Long Term Debt	607,012	648,691
Amortization - Bond Refunding Costs	75,102	75,101
Depreciation	<u>782,658</u>	<u>795,304</u>
Total Expenses	<u>13,745,199</u>	<u>13,437,923</u>
<b>Increase in Net Assets</b>	<u><u>\$ 312,156</u></u>	<u><u>\$ 613,088</u></u>

As reported in the statement of activities the cost of all our *governmental activities* this year was \$13,745,199. While \$7,249,268 in revenue was generated directly from local taxpayers, another \$519,062 was generated through “charges for actual services” to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$2,076,228 to the district. The district received \$3,786,465 in state education funding, \$176,632 in interest earnings and \$249,700 in other miscellaneous sources. Net Assets for the year ended June 30, 2008 increased by \$312,156.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District’s budgets are prepared in accordance to Michigan Law. The most significant budgeted fund is the General Fund.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

During the fiscal year of 2007-2008, the District amended the budgets to the general fund twice. The normal business practice of the district is to amend the budget one to two times per year.

When the 2007-2008 Budget was developed and approved in June 2007, the state aid per pupil foundation was not determined until November 2007 – 5 months after the beginning of the 07-08 fiscal year. Boyne City Public Schools budgeted conservatively when developing the initial budget keeping all current economic and enrollment factors in mind.

During the school year, the school district did make some staffing changes and energy savings changes that did impact the expenditure side of the budget.

**General Fund**

The General Fund revenues were lower than expenditures in the past year of operations by \$230,413. In anticipation of the state education budget crisis, projected student enrollment decreases, and increasing utility costs the district continues to make cuts in all operational areas.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of June 30, 2008 amounted to \$31,551,477. These assets have accumulated \$9,931,208 of depreciation. Our capitalized assets include our buildings, land, equipment, and transportation fleet. A categorized listing of the assets is below:

Boyne City Public Schools  
Capital Assets - Net of Depreciation

	<u>2008</u>	<u>2007</u>
Land	\$ 57,911	\$ 57,911
Land Improvements	1,359,577	1,465,270
Buildings	19,032,441	19,545,653
Buses	203,252	170,421
Furniture and Equipment	<u>967,088</u>	<u>1,074,050</u>
Total Capital Assets	<u>\$ 21,620,269</u>	<u>\$ 22,313,305</u>

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**Long-Term Debt**

The District currently holds \$100,626 of the Durant Resolution School Improvement Bonds. The bonds are a legal obligation of the district, but the only repayment source is a State of Michigan appropriation equal to the annual payment of the bonds and interest. If the legislature fails to make such an appropriation for the payment, the district is under no obligation for payment.

The District also holds \$12,610,000 in school improvement bonds. This represents a reduction of \$1,145,000 from the amount outstanding at the close of the prior fiscal year. The school improvement bonds are repaid through a voted millage over the next 9 years. A portion of the 1999 bonds were refinanced in the year ended June 30, 2005 reducing the debt payment to taxpayers by \$593,612.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Although the State of Michigan's economic recovery continues to be slow, school districts received a \$90 per pupil increase in State Aid in 2007-08 and avoided a year end state aid revenue reduction. In addition, Boyne City Public Schools experienced a very small enrollment decrease.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Boyne City Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Business Office  
Boyne City Public  
321 S. Park Street  
Boyne City, MI

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 4,867,233
Accounts Receivable	17,473
Due from External Parties (Fiduciary Funds)	16,290
Due from Other Governments	1,090,717
Inventory	35,530
Construction in Progress - Building Trades	181,789
Total Current Assets	6,209,032

NON CURRENT ASSETS

Capital Assets	31,551,477
Less Accumulated Depreciation	(9,931,208)
Total Non Current Assets	21,620,269
TOTAL ASSETS	\$ 27,829,301

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 61,644
Accrued Salaries and Fringes	961,740
Accrued Interest	92,900
Deferred Revenue	455,952
Bonds Payable - Due within One Year	1,219,484
Total Current Liabilities	2,791,720

NON CURRENT LIABILITIES

Bonds Payable - Net	10,815,234
Compensated Absences	47,065
Total Non Current Liabilities	10,862,299
Total Liabilities	13,654,019

NET ASSETS

Invested in Capital Assets Net of Related Debt	9,585,551
Restricted for Debt Service	911,233
Unrestricted	3,678,498
Total Net Assets	14,175,282
TOTAL LIABILITIES AND NET ASSETS	\$ 27,829,301

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,549,008	\$ 227,760	\$ 1,747,585	\$ (5,573,663)
Supporting Services	3,698,614	48,747	8,332	(3,641,535)
Community Services	214,313	0	0	(214,313)
Food Service	520,945	191,076	320,311	(9,558)
Athletic Activities	297,547	51,479	0	(246,068)
Interest on Long Term Debt	682,114	0	0	(682,114)
Unallocated Depreciation	782,658	0	0	(782,658)
Total Governmental Activities	<u>\$ 13,745,199</u>	<u>\$ 519,062</u>	<u>\$ 2,076,228</u>	(11,149,909)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				5,376,342
Property Taxes - Debt Service				1,872,926
State of Michigan Aid - Unrestricted				3,786,465
Investment Earnings				176,632
Other				249,700
Total General Revenues				<u>11,462,065</u>
Change in Net Assets				312,156
NET ASSETS - Beginning of Year				<u>13,863,126</u>
NET ASSETS - End of Year				<u>\$ 14,175,282</u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLSBOYNE CITY, MICHIGANBALANCE SHEET  
GOVERNMENTAL FUNDSJUNE 30, 2008

	GENERAL FUND	1999 DEBT SERVICE	2004 DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Investments	\$ 3,524,926	\$ 510,254	\$ 495,141	\$ 336,912	\$ 4,867,233
Accounts Receivable	15,961	0	0	1,512	17,473
Due from Other Governmental Units	1,085,338	0	0	5,379	1,090,717
Due from Other Funds	34,881	0	6,265	17,617	58,763
Inventory	29,666	0	0	5,864	35,530
Construction in Progress - Building Trades	181,789	0	0	0	181,789
<b>TOTAL ASSETS</b>	<b>\$ 4,872,561</b>	<b>\$ 510,254</b>	<b>\$ 501,406</b>	<b>\$ 367,284</b>	<b>\$ 6,251,505</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 56,197	\$ 0	\$ 0	\$ 5,447	\$ 61,644
Accrued Salaries and Fringes	954,595	0	0	7,145	961,740
Deferred Revenue	455,952	0	0	0	455,952
Due to Other Funds	14,566	7,356	171	20,380	42,473
<b>Total Liabilities</b>	<b>1,481,310</b>	<b>7,356</b>	<b>171</b>	<b>32,972</b>	<b>1,521,809</b>
<u>FUND BALANCES</u>					
Reserved for Debt Retirement	0	502,898	501,235	0	1,004,133
Reserved for Construction in Progress	181,789	0		0	181,789
Reserved for Inventory	29,666	0	0	5,864	35,530
Unreserved, Designated, Reported in:					
Capital Project Funds	0	0	0	307,093	307,093
Special Revenue Funds	0	0	0	21,355	21,355
Unreserved, Undesignated Reported in:					
General	3,179,796	0	0	0	3,179,796
<b>Total Fund Balances</b>	<b>3,391,251</b>	<b>502,898</b>	<b>501,235</b>	<b>334,312</b>	<b>4,729,696</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,872,561</b>	<b>\$ 510,254</b>	<b>\$ 501,406</b>	<b>\$ 367,284</b>	<b>\$ 6,251,505</b>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances		\$ 4,729,696
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources are not reported in the funds		
The cost of the capital assets is	\$ 31,551,477	
Accumulated depreciation is	<u>(9,931,208)</u>	21,620,269
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(12,034,718)
Compensated absences		(47,065)
Accrued interest is not included as a liability in government funds; it is when paid		<u>(92,900)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 14,175,282</u></u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	1999 DEBT SERVICE	2004 DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 5,834,127	\$ 1,371,493	\$ 546,244	\$ 245,331	\$ 7,997,195
State Sources	4,468,971	0	0	34,532	4,503,503
Federal Sources	480,264	0	0	285,779	766,043
Interdistrict Sources	790,614	0	0	0	790,614
Total Revenues	11,573,976	1,371,493	546,244	565,642	14,057,355
<u>EXPENDITURES</u>					
Current:					
Instruction	7,626,455	0	0	0	7,626,455
Support Services	3,711,131	0	0	824,914	4,536,045
Community Services	214,313	0	0	0	214,313
Debt Service	0	1,331,607	430,428	0	1,762,035
Capital Outlay	0	0	0	70,683	70,683
Total Expenditures	11,551,899	1,331,607	430,428	895,597	14,209,531
Excess (Deficiency) of Revenues Over Expenditures	22,077	39,886	115,816	(329,955)	(152,176)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	0	252,490	252,490
Transfers Out	(252,490)	0	0	0	(252,490)
Total Other Financing Sources (Uses)	(252,490)	0	0	252,490	0
Net Change in Fund Balance	(230,413)	39,886	115,816	(77,465)	(152,176)
<u>FUND BALANCE</u> - Beginning of Year	3,621,664	463,012	385,419	411,777	4,881,872
<u>FUND BALANCE</u> - End of Year	\$ 3,391,251	\$ 502,898	\$ 501,235	\$ 334,312	\$ 4,729,696

The notes to the financial statements are an integral part of this statement.



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ (152,176)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(782,658)
Capital Outlay	89,622

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	102,923
Accrued Interest Payable - End of Year	(92,900)

Repayments of bond principal is an expenditure in the governmental funds, but not in the activities (where it is a reduction of long-term debt)	1,145,000
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Employees Compensated Absences and Severance are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absence and Severance - Beginning of Year	124,512
Compensated Absence and Severance - End of Year	(47,065)

Bond issuance costs are expensed when paid in the governmental funds but deferred and amortized over the life of the bonds in the government wide statements	<u>(75,102)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 312,156</u></u>
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The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BONE CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 203,336
Due from Other Funds	<u>17,590</u>
Total Assets	<u><u>\$ 220,926</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 187,046
Due to Other Funds	<u>33,880</u>
Total Liabilities	220,926
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 220,926</u></u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Boyne City Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

Boyne City Public Schools (the "District") is located in Antrim and Charlevoix Counties with its administrative offices located in Boyne City, Michigan. The District is governed by the Boyne City Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,264 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

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In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The 1999 Debt Service Fund is used to record tax, interest and other revenue for payment of principle, interest and other expenditures of the 1999 bond issue.

The 2004 Debt Service Fund is used to record tax, interest and other revenue for payment of principle, interest and other expenditures of the 2004 bond issue.

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**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital project fund* accounts for the acquisition of fixed assets on construction of major capital projects.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,502 for Boyne City Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

**1. Cash and Investments**

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.

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- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-homestead	18.00
Debt Service Fund - Homestead and Non-homestead	3.50

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



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9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

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6. Budgeted amounts are as originally adopted on June 11, 2007, or as amended by the School Board of Education on June 23, 2008.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred as follows:

General Fund – Business expenditures of \$163,012 exceeded appropriations of \$155,095 by \$7,917, Food Service expenditures of \$520,945 exceeded appropriations of \$518,203 by \$2,742, Athletic Fund expenditures of \$303,969 exceeded appropriations of \$300,296 by \$3,673.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are all on deposit with Citizens Bank, JP Morgan Chase, and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$3,799,149 of the

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government's bank balance of \$4,498,121 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>860,338</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Governmental Activities	Fiduciary Assets	Total
Cash and Investments	\$ 4,867,233	\$ 203,336	\$ 5,070,569

The breakdown between deposits and investments for the District is as follows:

Deposits	\$ 4,210,231
Investments (Michigan Liquid Asset Fund)	860,338
	<u>\$ 5,070,569</u>

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**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	1999 Debt	2004 Debt	Nonmajor and Other Funds	Total
Receivables					
Accounts	\$ 15,961	\$ 0	\$ 0	\$ 1,512	\$ 17,473
Due from Other Governments	1,085,338	0	0	5,379	1,090,717
Total Receivables	<u>\$1,101,299</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,891</u>	<u>\$1,108,190</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grants Receipts Received, But Not Yet Utilized	<u>\$ 0</u>	<u>\$ 455,952</u>

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**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 57,911	\$ 0	\$ 0	\$ 57,911
Capital assets being depreciated				
Land Improvements	2,113,850	0	0	2,113,850
Buildings and Improvements	24,888,492	0	0	24,888,492
Buses	859,977	70,683	0	930,660
Furniture and Equipment	3,541,625	18,939	0	3,560,564
Subtotal	31,403,944	89,622	0	31,493,566
Less accumulated depreciation for:				
Land Improvements	648,580	105,693	0	754,273
Buildings and Improvements	5,342,839	513,212	0	5,856,051
Buses	689,556	37,852	0	727,408
Furniture and Equipment	2,467,575	125,901	0	2,593,476
Accumulated depreciation	9,148,550	782,658	0	9,931,208
Net Capital assets being depreciated	22,255,394	(693,036)	0	21,562,358
Total Capital assets net of depreciation	\$ 22,313,305	\$ (693,036)	\$ 0	\$21,620,269

Depreciation for the fiscal year ended June 30, 2008 amounted to \$782,658. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2008:

	Severance and Compensated Absences	1998 Bond Issue	1999 Bond Issue	2004 Bond Issue	TOTAL
Balance, July 1, 2007	\$ 124,512	\$ 100,626	\$ 4,685,000	\$ 9,070,000	\$13,980,138
Additions	0	0	0	0	0
Deletions	(77,447)	0	(1,080,000)	(65,000)	(1,222,447)
Balance, June 30, 2008	47,065	100,626	3,605,000	9,005,000	12,757,691
Less current portion	0	(9,484)	(1,140,000)	(70,000)	(1,219,484)
Total due after one year	\$ 47,065	\$ 91,142	\$ 2,465,000	\$ 8,935,000	\$11,538,207

Bonds payable at June 30, 2008 are comprised of the following issues:

1999 serial bonds due in annual installments of \$1,140,000 to \$1,265,000 through May 1, 2011 with interest at 5.25% to 5.35%	\$ 3,605,000
2004 Refunding Bonds due in annual installments of \$70,000 to \$1,520,000 through May 1, 2017, with interest at 3.00% to 4.15%.	<u>9,005,000</u>
Total general obligation debt	12,610,000
1998 Limited obligation bonds (Durant bonds) due in annual installments of \$11,967 to \$80,406 through May 2013.	<u>100,626</u>
	12,710,626
Less deferred charges on refunding	<u>(675,908)</u>
	<u>\$ 12,034,718</u>

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

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The annual requirements to amortize all debt outstanding as of June 30, 2008, including interest payments of \$2,754,947 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2009	\$ 1,219,484	\$ 558,021	\$ 1,777,505
2010	1,328,406	512,740	1,841,146
2011	1,350,409	427,024	1,777,433
2012	1,410,904	356,302	1,767,206
2013	1,471,423	299,782	1,771,205
2014-2017	5,930,000	601,078	6,531,078
	12,710,626	2,754,947	15,465,573
Compensated absences and severance plan	47,065	0	47,065
	<u>\$ 12,757,691</u>	<u>\$ 2,754,947</u>	<u>\$ 15,512,638</u>

The annual requirements to amortize the accrued sick leave and School Bond Loan Fund is uncertain because it is unknown when the repayments will be made.

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 34,881	\$ 14,566
School Service Fund - Food Service	9,296	3,045
School Service Fund - Athletic	8,321	17,335
Agency Funds	17,590	33,880
Debt Retirement Fund - 1999	0	7,356
Debt Retirement Fund - 2004	6,265	171
	<u>\$ 76,353</u>	<u>\$ 76,353</u>

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All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2008 are expected to be repaid within one year.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2008, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 252,490
School Service Fund - Athletics	252,490	0
	<u>\$ 252,490</u>	<u>\$ 252,490</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### **NOTE 4 - OTHER INFORMATION**

##### **A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.



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Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007, and 2006 were \$1,169,128, \$1,168,354, and \$1,075,809 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

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**C. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Antrim and Charlevoix County treasurers. For the 2007 tax roll the District received a lump sum payment of \$382,251 for general operating tax revenues and \$131,800 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the District will have to repay the county.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 5,868,926	\$ 5,890,622	\$ 5,834,127
State Sources	4,240,738	4,501,399	4,468,971
Federal Sources	546,818	479,733	480,264
Interdistrict Sources	742,240	896,557	790,614
Total Revenues	<u>11,398,722</u>	<u>11,768,311</u>	<u>11,573,976</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,655,436	5,740,374	5,734,624
Added Needs	1,930,534	1,904,741	1,891,831
Supporting Services			
Pupil	589,550	625,856	603,396
Instructional Staff	284,237	259,185	258,736
General Administration	304,809	308,250	290,625
School Administration	589,167	587,600	584,686
Business	125,254	155,095	163,012
Operation and Maintenance	1,324,105	1,315,277	1,280,046
Pupil Transportation Services	482,290	568,450	439,630
Other	92,955	101,100	91,000
Community Services	<u>210,165</u>	<u>217,308</u>	<u>214,313</u>
Total Expenditures	<u>11,588,502</u>	<u>11,783,236</u>	<u>11,551,899</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(189,780)</u>	<u>(14,925)</u>	<u>22,077</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(248,304)</u>	<u>(248,779)</u>	<u>(252,490)</u>
Net Change in Fund Balance	(438,084)	(263,704)	(230,413)
<u>FUND BALANCE</u> - Beginning of Year	<u>3,880,440</u>	<u>3,621,665</u>	<u>3,621,664</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,442,356</u>	<u>\$ 3,357,961</u>	<u>\$ 3,391,251</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN  
COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NON MAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	ATHLETIC	1998 ISSUE		
<u>ASSETS</u>					
Cash	\$ 12,512	\$ 17,307	\$ 0	\$ 307,093	\$ 336,912
Accounts Receivable	1,512	0	0	0	1,512
Due from Other Governmental Units	5,379	0	0	0	5,379
Due from Other Funds	9,296	8,321	0	0	17,617
Inventory	5,864	0	0	0	5,864
TOTAL ASSETS	<u>\$ 34,563</u>	<u>\$ 25,628</u>	<u>\$ 0</u>	<u>\$ 307,093</u>	<u>\$ 367,284</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 4,299	\$ 1,148	\$ 0	\$ 0	\$ 5,447
Accrued Salaries	0	5,745	0	0	5,745
Accrued Payroll Liabilities	0	1,400	0	0	1,400
Due to Other Funds	3,045	17,335	0	0	20,380
Total Liabilities	<u>7,344</u>	<u>25,628</u>	<u>0</u>	<u>0</u>	<u>32,972</u>
<u>FUND BALANCE</u>					
Reserved for Inventory	5,864	0	0	0	5,864
Unreserved					
Designated for:					
Capital Improvements	0	0	0	307,093	307,093
Food Service	21,355	0	0	0	21,355
Total Fund Balance	<u>27,219</u>	<u>0</u>	<u>0</u>	<u>307,093</u>	<u>334,312</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 34,563</u>	<u>\$ 25,628</u>	<u>\$ 0</u>	<u>\$ 307,093</u>	<u>\$ 367,284</u>

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUND 1998 ISSUE</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NON MAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE</u>	<u>ATHLETIC</u>	<u>TOTAL</u>			
<u>REVENUES</u>						
Local Sources						
Food Sales	\$ 171,447	\$ 0	\$ 171,447	\$ 0	\$ 0	\$ 171,447
Athletic Activities	0	51,479	51,479	0	0	51,479
Interest	0	0	0	0	2,776	2,776
Other	19,629	0	19,629	0	0	19,629
State Sources	34,532	0	34,532	0	0	34,532
Federal Sources	285,779	0	285,779	0	0	285,779
Total Revenues	511,387	51,479	562,866	0	2,776	565,642
<u>EXPENDITURES</u>						
Salaries	165,601	133,629	299,230	0	0	299,230
Employee Benefits	83,017	41,070	124,087	0	0	124,087
Purchased Services	20,446	97,085	117,531	0	0	117,531
Supplies and Materials	230,402	20,678	251,080	0	0	251,080
Other Expenditures	3,828	11,507	15,335	0	0	15,335
Capital Outlay	17,651	0	17,651	0	70,683	88,334
Total Expenditures	520,945	303,969	824,914	0	70,683	895,597
Excess (Deficiency) of Revenues Over Expenditures	(9,558)	(252,490)	(262,048)	0	(67,907)	(329,955)
<u>OTHER FINANCING SOURCES</u>						
Transfers In						
General Fund	0	252,490	252,490	0	0	252,490
Net Change in Fund Balance	(9,558)	0	(9,558)	0	(67,907)	(77,465)
<u>FUND BALANCE</u> - Beginning of Year	36,777	0	36,777	0	375,000	411,777
<u>FUND BALANCE</u> - End of Year	\$ 27,219	\$ 0	\$ 27,219	\$ 0	\$ 307,093	\$ 334,312

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 5,376,342	\$ 5,106,229
Tuition	2,794	1,215
Penalties and Interest on Taxes	3,438	4,173
Earnings on Investments	129,045	171,976
Other Local Revenue	322,508	333,938
	<hr/>	<hr/>
Total Local Sources	5,834,127	5,617,531
	<hr/>	<hr/>
State Sources		
Grants - Unrestricted:		
State Aid	3,786,465	4,097,547
Grants - Restricted		
At Risk	258,948	253,042
Special Education	348,209	309,006
Non-Plaintiff Durant	17,042	17,042
Other Grants	4,042	13,747
Received through ISD		
Other Grants	54,265	54,064
	<hr/>	<hr/>
Total State Sources	4,468,971	4,744,448
	<hr/>	<hr/>
Federal Sources		
Grants - Restricted		
Received Direct		
Title VII	48,255	65,158
Received through State		
Title I	343,782	358,675
Title II	70,974	77,505
Title V	1,209	1,229
Other Grants	2,000	2,000
Received through ISD		
Medicaid/Administration Outreach	6,332	5,493
Other Grants	7,712	6,325
	<hr/>	<hr/>
Total Federal Sources	480,264	516,385
	<hr/>	<hr/>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Interdistrict Sources		
Tuition	59,794	51,834
Other	<u>730,820</u>	<u>620,373</u>
Total Interdistrict Sources	<u>790,614</u>	<u>672,207</u>
 TOTAL REVENUES	 <u><u>\$ 11,573,976</u></u>	 <u><u>\$ 11,550,571</u></u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

<u>INSTRUCTION</u>	<u>2008</u>	<u>2007</u>
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,378,913	\$ 1,285,417
Employee Benefits	651,622	640,434
Purchased Service	44,546	36,668
Supplies and Materials	54,620	41,461
Capital Outlay	0	31,165
Total Elementary	<u>2,129,701</u>	<u>2,035,145</u>
<u>Middle School</u>		
Salaries	1,137,853	1,090,506
Employee Benefits	509,811	504,047
Purchased Services	33,234	23,491
Supplies and Materials	51,574	46,996
Other Expenses	36	199
Total Middle School	<u>1,732,508</u>	<u>1,665,239</u>
<u>High School</u>		
Salaries	1,186,028	1,117,222
Employee Benefits	544,153	534,812
Purchased Services	74,538	94,295
Supplies and Materials	38,300	27,863
Other Expense	1,915	216
Capital Outlay	1,222	927
Total High School	<u>1,846,156</u>	<u>1,775,335</u>
<u>Summer School</u>		
Salaries	19,802	16,313
Employee Benefits	4,976	3,923
Purchased Services	860	0
Supplies and Materials	621	624
Total Summer School	<u>26,259</u>	<u>20,860</u>
 TOTAL BASIC PROGRAMS	 <u>5,734,624</u>	 <u>5,496,579</u>



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	692,452	691,715
Employee Benefits	284,313	299,392
Purchased Services	8,384	8,173
Supplies and Materials	204	769
Other Expenses	0	63
Total Special Education	<u>985,353</u>	<u>1,000,112</u>
<u>Compensatory Education - Title I</u>		
Salaries	214,209	203,222
Employee Benefits	95,148	85,760
Purchased Services	2,010	1,297
Supplies and Materials	5,597	13,336
Total Compensatory Education - Title I	<u>316,964</u>	<u>303,615</u>
<u>Vocational Education</u>		
Salaries	272,241	254,434
Employee Benefits	104,644	105,481
Purchased Services	15,779	9,740
Supplies and Materials	145,592	85,117
Other Expenses	1,666	1,917
Capital Outlay	49,592	27,308
Total Vocational Education	<u>589,514</u>	<u>483,997</u>
 TOTAL ADDED NEEDS	 <u>1,891,831</u>	 <u>1,787,724</u>
 TOTAL INSTRUCTION	 <u>7,626,455</u>	 <u>7,284,303</u>
 <u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Attendance</u>		
Salaries	11,970	11,541
Employee Benefits	2,721	2,833
Total Attendance	<u>14,691</u>	<u>14,374</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Guidance</u>		
Salaries	240,653	238,218
Employee Benefits	102,447	103,559
Purchased Services	81	777
Supplies and Materials	4,843	4,887
Other Expenses	9,845	9,452
Capital Outlay	4,755	9,311
Total Guidance	<u>362,624</u>	<u>366,204</u>
 <u>Health Services</u>		
Salaries	36,978	36,356
Employee Benefits	13,692	13,352
Purchased Services	735	457
Supplies and Materials	1,597	1,121
Other Expenses	140	160
Capital Outlay	0	294
Total Health Services	<u>53,142</u>	<u>51,740</u>
 <u>Social Workers</u>		
Salaries	42,422	41,187
Employee Benefits	24,185	23,949
Purchased Services	775	165
Supplies and Materials	933	991
Total Social Workers	<u>68,315</u>	<u>66,292</u>
 <u>Other Pupil Services</u>		
Salaries	50,299	38,021
Employee Benefits	11,951	9,010
Purchased Services	16,706	4,505
Supplies and Materials	4,120	6,793
Other Expenses	21,548	28,023
Total Other Pupil Services	<u>104,624</u>	<u>86,352</u>
 TOTAL PUPIL SERVICES	<u>603,396</u>	<u>584,962</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Purchased Services	32,573	16,969
Supplies and Materials	4,858	2,443
Other Expenses	150	0
Total Improvement of Instruction	<u>37,581</u>	<u>19,412</u>
 <u>Library</u>		
Salaries	72,689	70,452
Employee Benefits	59,095	59,588
Purchased Services	225	105
Supplies and Materials	6,576	6,896
Other Expenses	4,487	4,276
Total Library	<u>143,072</u>	<u>141,317</u>
 <u>Other Instructional Staff</u>		
Salaries	46,370	76,317
Employee Benefits	21,263	27,586
Purchased Services	0	1,230
Supplies and Materials	10,394	8,381
Other Expenses	56	120
Total Other Instructional Staff	<u>78,083</u>	<u>113,634</u>
 TOTAL INSTRUCTIONAL STAFF	<u>258,736</u>	<u>274,363</u>
 <u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries	4,069	4,587
Purchased Services	27,825	39,712
Other Expenses	11,731	4,622
Total Board of Education	<u>43,625</u>	<u>48,921</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Executive Administration</u>		
Salaries	146,223	135,766
Employee Benefits	63,585	62,997
Purchased Services	26,956	29,262
Supplies and Materials	3,255	2,895
Other Expenses	2,033	5,372
Capital Outlay	4,948	0
Total Executive Administration	<u>247,000</u>	<u>236,292</u>
 TOTAL GENERAL ADMINISTRATION	 <u>290,625</u>	 <u>285,213</u>
 <u>School Administrative</u>		
<u>Office of the Principal</u>		
Salaries	390,897	380,424
Employee Benefits	177,205	175,662
Purchased Services	7,369	10,803
Supplies and Materials	2,357	2,763
Other Expenses	1,410	2,494
Total Office of the Principal	<u>579,238</u>	<u>572,146</u>
 Other School Administration		
Other Expenses	5,448	4,975
Total Other School Administration	<u>5,448</u>	<u>4,975</u>
 TOTAL SCHOOL ADMINISTRATION	 <u>584,686</u>	 <u>577,121</u>
 <u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	87,939	88,244
Supplies and Materials	813	1,073
Other Expenses	4,338	3,062
Capital Outlay	2,199	0
Total Fiscal Services	<u>95,289</u>	<u>92,379</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Other Business Services</u>		
Purchased Services	15,995	14,754
Other Expense	51,728	43,358
Total Other Business Services	<u>67,723</u>	<u>58,112</u>
 TOTAL BUSINESS	 <u>163,012</u>	 <u>150,491</u>
 <u>Operation and Maintenance</u>		
Salaries	408,003	435,116
Employee Benefits	236,413	251,694
Purchased Services	221,700	235,014
Supplies and Materials	407,595	372,021
Other Expenses	131	715
Capital Outlay	6,204	5,558
Total Operation and Maintenance	<u>1,280,046</u>	<u>1,300,118</u>
 <u>Transportation</u>		
Salaries	202,830	199,437
Employee Benefits	131,536	135,781
Purchased Services	11,743	14,052
Supplies and Materials	88,638	72,937
Other Expenses	4,150	5,402
Capital Outlay	733	5,819
Total Transportation	<u>439,630</u>	<u>433,428</u>
 <u>Other Supporting Services</u>		
Purchased Services	700	0
Other Expenses	1,652	0
Total Other Supporting Services	<u>2,352</u>	<u>0</u>
 <u>Information Management Services</u>		
Purchased Services	43,822	43,691
Supplies and Materials	10,074	5,482
Capital Outlay	34,752	40,742
Total Information Management Services	<u>88,648</u>	<u>89,915</u>
 TOTAL SUPPORTING SERVICES	 <u>3,711,131</u>	 <u>3,695,611</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Community Services</u>		
Salaries	128,445	119,130
Employee Benefits	29,162	27,571
Purchased Services	42,813	48,452
Supplies and Materials	7,332	12,806
Other Expense	6,471	692
Capital Outlay	90	0
Total Community Services	<u>214,313</u>	<u>208,651</u>
 <u>Facility Acquisition</u>		
Capital Outlay	<u>0</u>	<u>8,041</u>
 TOTAL OPERATING EXPENDITURES	<u>11,551,899</u>	<u>11,196,606</u>
 <u>OTHER FINANCING USES</u>		
Transfers Out	<u>252,490</u>	<u>612,740</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 11,804,389</u></u>	<u><u>\$ 11,809,346</u></u>

BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE
	7/01/07	REVENUES	EXPENDITURES	6/30/08
<u>ELEMENTARY</u>				
Elementary Improvement	\$ 19,674	\$ 22,968	\$ 14,109	\$ 28,533
Library	2,104	6,206	5,557	2,753
4th Grade Store	2,696	75	2,696	75
<u>HIGH SCHOOL</u>				
Art Club	633	0	75	558
Athletic Concession	4,476	8,810	7,092	6,194
Band	1,524	17,551	14,908	4,167
Baseball	(100)	675	648	(73)
Board Fund	5,260	11,858	13,620	3,498
Boy's Varsity Basketball	1,125	16,024	15,814	1,335
Building Trades Scholarship	5,086	3,357	2,393	6,050
Bus Garage	5	0	0	5
Cafeteria	2,433	1,370	1,414	2,389
Carlie Hawkins	888	0	0	888
Challenge Fund	135	0	0	135
Cheerleaders	567	3,121	2,368	1,320
Child Development	302	0	0	302
Class of 2007	1,020	0	1,020	0
Class of 2008	2,161	701	2,300	562
Class of 2009	1,694	5,075	4,746	2,023
Class of 2010	371	2,544	1,147	1,768
Class of 2011	100	1,015	50	1,065
Class of 2012	0	235	0	235
Community Education	5,390	0	0	5,390
Co-Curricular Banquet	180	306	0	486
Computer Math	11	2,501	2,575	(63)
Counselor	959	780	3,266	(1,527)
Cross Country	751	2,073	1,594	1,230
DECA	3,224	136	3,482	(122)
Donations	4,811	1,825	48	6,588
Drama	7,673	38,978	40,196	6,455
Drug Free Schools	350	0	0	350
Forestry Club	456	0	0	456
Frank Spencer Memorial	212	0	0	212
Girl's Varsity Basketball	0	720	660	60
Golf	811	413	0	1,224

BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE
	7/01/07	REVENUES	EXPENDITURES	6/30/08
Government	21	37,041	37,573	(511)
Gridiron Club - FB	2,894	7,916	4,117	6,693
Hospitality	4,493	8,570	7,453	5,610
Industrial Education	5,923	1,761	2,512	5,172
Medical Fund	362	0	0	362
MI Youth in Government	705	8,704	8,840	569
National Honors Society	(531)	1,241	351	359
Rambler Dance Team	0	120	55	65
Rambler Mart	4,836	6,769	6,311	5,294
Russ Harvey Golf	2,901	0	1,000	1,901
S.A.D.D	37	17	0	54
Ski Team	2,000	467	1,025	1,442
Girl's Soccer	0	500	332	168
Boy's Soccer	2,330	3,426	2,123	3,633
Softball	1,720	6,846	8,065	501
Spanish Club	6,437	6,252	7,232	5,457
Special Education	90	0	0	90
Spring Arts Fair	432	0	0	432
Student Council	11,015	4,081	9,451	5,645
Tennis - boys	735	0	262	473
Tennis - girls	587	942	832	697
Track	1,888	3,067	2,633	2,322
Visual Imaging	5,211	14,010	11,161	8,060
Volleyball	5,740	11,165	9,576	7,329
Wrestling	544	0	131	413
Yearbook	4,600	17,535	15,680	6,455

MIDDLE SCHOOL

Art	1,169	2,620	2,807	982
At Risk	34	0	0	34
Athletics	1,293	4,149	5,939	(497)
Building Fundraiser	1,092	19,452	18,609	1,935
Camp - 6th Grade	574	6,125	7,903	(1,204)
Cheerleading	113	0	0	113
Drama	3,072	6,672	1,625	8,119
Fundraiser - 5th Grade	3,616	1,706	4,208	1,114
Fundraiser - 6th Grade	1,579	1,400	1,197	1,782
Fundraiser - 7th Grade	1,139	3,621	4,226	534
Fundraiser - 8th Grade	2,335	2,200	2,047	2,488



BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	REVENUES	EXPENDITURES	BALANCE 6/30/08
Hot Lunch	(1)	0	0	(1)
Internal Administration	1,430	2,235	2,214	1,451
Juice Machine	1,936	2,344	1,851	2,429
Kiwanis Builders Club	1,536	0	435	1,101
Library	734	1,181	1,350	565
Life Management	1,859	200	802	1,257
Lock	39	127	0	166
Nurses Fund	210	0	0	210
Pencil Machine	536	0	0	536
Physical Education	966	500	431	1,035
Rambler Press	72	35	49	58
Scholarship Fund	3	0	0	3
School Store	4,037	6,864	6,353	4,548
Shop	2,363	1,021	1,552	1,832
Student Agenda	281	75	0	356
Student Council	564	1,573	1,408	729
Sunshine Fund	259	632	564	327
Technology	1,182	500	1,112	570
Track	1,179	864	986	1,057
Volleyball	383	0	288	95
Yearbook	513	170	567	116
Total	<u>\$ 178,049</u>	<u>\$ 356,013</u>	<u>\$ 347,016</u>	<u>\$ 187,046</u>

Represented by

Assets

Cash	\$ 202,916	\$ 203,336
Due from Other Funds	<u>7,600</u>	<u>17,590</u>

Total Assets	<u>\$ 210,516</u>	<u>\$ 220,926</u>
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Liabilities

Due to Groups and Organizations	\$ 178,049	\$ 187,046
Due to Other Funds	<u>32,467</u>	<u>33,880</u>

Total Liabilities	<u>\$ 210,516</u>	<u>\$ 220,926</u>
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BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS  
JUNE 30, 2008

DATE OF ISSUE November 24, 1998

AMOUNT OF ISSUE \$ 170,419

PURPOSE School Improvement Bonds that may be used for any purpose allowable under Section 1351a of Act 451 of the Public Acts of 1976, as amended ("Act 451"), being MCLA 380.1351a. Examples of allowable expenditures are the costs of purchasing, erecting, completing, remodeling, equipping, or reequipping, (except for equipping or reequipping for technology), school buildings, structures, athletic fields, playgrounds, developing or improving sites, purchase of school buses, and refunding of bonds. Assets acquired must have a useful life of at least as long as the life of the bond issue, in this case 15 years.

TYPE OF ISSUE This bond is issued by resolution, is self liquidating, and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from State Aid payments designated for that purpose.

This bond is not subject to redemption prior to the maturity date.

Fiscal Year	Annual Interest Payment May 15	Annual Maturity May 15	Total Fiscal Year Requirements
2008-2009	\$ 2,483	\$ 9,484	\$ 11,967
2009-2010	22,000	58,406	80,406
2010-2011	1,559	10,409	11,968
2011-2012	1,063	10,904	11,967
2012-2013	544	11,423	11,967
	<u>\$ 27,649</u>	<u>\$ 100,626</u>	<u>\$ 128,275</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS

JUNE 30, 2008

1999 BOND ISSUE

DATE OF ISSUE

November 1, 1999

AMOUNT OF ISSUE

\$ 18,815,000

PURPOSE

To pay for erecting, furnishing and equipping a new high school; remodeling, refurnishing and re-equipping existing school buildings; developing and improving athletic and outdoor physical education fields and sites; and to pay the cost of issuing the bonds.

TYPE OF ISSUE

Serial bonds issued in denominations of \$5,000. Interest is due semi-annually on November 1st and May 1st, with annual principal redemptions on May 1st. Bonds maturing on or after May 1, 2010 are subject to early redemption on any interest payment date occurring on or after May 1, 2009, at par plus accrued interest to the date fixed for redemption.

REFUNDING

On August 11, 2004 the District refunded the bonds that are due and payable May 1, 2012 through May 1, 2017. The District sold \$9,200,000 of bonds to retire these bonds and to pay the costs of issuance.

The remaining annual principal maturities and the semi-annual interest payments are listed below.

Interest Rate	Fiscal Year	Semi-annual Interest Payment November 1	Semi-annual Interest Payment May 1	Annual Maturity May 1	Total Fiscal Year Requirements
5.50%	2008-09	\$ 96,688	\$ 96,688	\$ 1,140,000	\$ 1,333,376
5.25%	2009-10	65,339	65,338	1,200,000	1,330,677
5.35%	2010-11	33,838	33,839	1,265,000	1,332,677
		<u>\$ 195,865</u>	<u>\$ 195,865</u>	<u>\$ 3,605,000</u>	<u>\$ 3,996,730</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2004 BOND ISSUE

DATE OF ISSUE August 11, 2004

AMOUNT OF ISSUE \$ 9,200,000

PURPOSE Refund a portion of the District's 1999 School Building and Site Bonds dated November 1, 1999 which are due and payable May 1, 2012 through May 1, 2017, and to pay the costs of issuing these bonds.

TYPE OF ISSUE Serial bonds issued in denominations of \$5,000. Interest is due semi-annually on November 1st and May 1st, with annual principal redemptions on May 1st. Bonds maturing on or after May 1, 2015 are subject to early redemption on any date occurring on or after May 1, 2014, at par plus accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-annual Interest Payment November 1	Semi-annual Interest Payment May 1	Annual Maturity May 1	Total Fiscal Year Requirements
3.00%	2008-09	\$ 181,081	\$ 181,081	\$ 70,000	\$ 432,162
3.25%	2009-10	180,032	180,032	70,000	430,064
3.40%	2010-11	178,894	178,894	75,000	432,788
4.00%	2011-12	177,619	177,619	1,400,000	1,755,238
4.00%	2012-13	149,619	149,619	1,460,000	1,759,238
4.00%	2013-14	120,419	120,419	1,520,000	1,760,838
4.00%	2014-15	90,018	90,018	1,495,000	1,675,036
4.10%	2015-16	60,119	60,119	1,470,000	1,590,238
4.15%	2016-17	29,983	29,983	1,445,000	1,504,966
		<u>\$ 1,167,784</u>	<u>\$ 1,167,784</u>	<u>\$ 9,005,000</u>	<u>\$ 11,340,568</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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August 8, 2008

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Boyne City Public Schools  
Boyne City, Michigan

#### COMPLIANCE

We have audited the compliance of Boyne City Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Boyne City Public Schools major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Boyne City Public Schools' management. Our responsibility is to express an opinion on Boyne City Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyne City Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boyne City Public Schools' compliance with those requirements.

In our opinion, Boyne City Public Schools complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

## INTERNAL CONTROL OVER COMPLIANCE

The management of Boyne City Public Schools' is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boyne City Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER		FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
<b>U.S. Department of Education</b>								
Direct Program								
IASA Title VII Indian Education								
S060A062168		84.060A	\$ 73,256	\$ (8,098)	\$ 65,158	\$ 0	\$ 0	(8,098)
S060A072168		84.060A	60,035	0	0	48,255	53,635	(5,380)
Total			133,291	(8,098)	65,158	48,255	53,635	(13,478)
Passed Through Michigan Department of Education (M.D.E.)								
Title I - Part A								
0715300607	Regular 2006-2007	84.010	300,124	(2,023)	258,825	0	(2,023)	0
0815300708	Regular 2007-2008	84.010	375,435	0	0	343,782	175,000	168,782
Total			675,559	(2,023)	258,825	343,782	172,977	168,782
Title I - Part D								
07170000607	Part D 2006-2007	84.013	65,858	(1,366)	64,492	0	(1,366)	0
Title II - Part D								
0842900708	Technology Literacy	84.318	3,140	0	0	3,140	0	3,140
Title II - Part A								
0805200708	Improving Teacher Quality	84.367	75,459	0	0	67,834	25,000	42,834
Service Provider Self Review								
0704400607		84.027A	4,000	0	2,000	2,000	2,000	0
Title V								
0802500708	Innovative Education	84.298	1,209	0	0	1,209	0	1,209
Total Passed Through M.D.E.			825,225	(3,389)	325,317	417,965	198,611	215,965
Passed through Intermediate School District (I.S.D)								
Transition								
080490	TS 2007-2008	84.027	780	0	0	780	780	0
Service Provider Self Review								
		84.027A	6,932	0	0	6,932	6,932	0
Total Passed Through ISD			7,712	0	0	7,712	7,712	0
Total U.S. Department of Education			966,228	(11,487)	390,475	473,932	259,958	202,487

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
<b>U.S Department of Health and Human Services</b>							
Passed through Intermediate School District (I.S.D)							
Medicaid Outreach	93.778	6,332	0	0	6,332	6,332	0
<b>U.S Department of Agriculture</b>							
Passed Through MDE							
National School Lunch - Breakfast							
071970 and 081970	10.553	52,822	7,855	51,445	52,822	59,179	1,498
National School Lunch							
Section 4 - Total Servings - 081950 and 071950	10.555	31,168	4,463	30,711	31,168	35,077	554
Section 11 - Total Servings - 081960 and 071960	10.555	174,632	22,930	154,709	174,632	194,235	3,327
Total		205,800	27,393	185,420	205,800	229,312	3,881
Total Child Nutrition Cluster		258,622	35,248	236,865	258,622	288,491	5,379
Entitlement Commodities	10.550	27,157	0	0	27,157	27,157	0
Total U.S. Department of Agriculture		285,779	35,248	236,865	285,779	315,648	5,379
Total Federal Financial Assistance		\$ 1,258,339	\$ 23,761	\$ 627,340	\$ 766,043	\$ 581,938	\$ 207,866
					(B)	(C)	



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2008, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 766,043</u>
 Federal Expenditures per Schedule of Expenditures of Federal Awards	 <u>\$ 766,043</u>

(C) Reconciliation of Cash Management System (CMS) Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per CMS Report Dated July 12, 2008	\$ 209,669
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Add Items Not on CMS Report:

Amounts Received Through State		
Child Nutrition Cluster	\$ 288,491	
Amounts Received Through Intermediate School District		
Transition	780	
Service Provider	6,932	
Medicaid Outreach	6,332	
Amounts Received Through U.S. Department of Education		
Title VII	53,635	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	<u>27,157</u>	383,327

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Less Amounts Reported on CMS Report

In Error From Prior Year:

Title II D

(7,128)

Title V A

(3,930)

(11,058)

Current Year Receipts (Cash Basis) per

Schedule of Expenditures of Federal Awards

\$ 581,938

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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August 8, 2008

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Boyne City Public Schools  
Boyne City, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Boyne City Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Boyne City Public Schools' basic financial statements and have issued our report thereon dated August 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Boyne City Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyne City Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Boyne City Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

There were no prior year findings or questioned costs.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Section I - Summary of Auditors Results**

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***Financial Statements***

Type of auditors' report issued: Unqualified

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes        X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Part A

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes      \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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August 8, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
Boyne City Public Schools  
Boyne City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne City Public Schools for the year ended June 30, 2008, and has issued our report thereon dated September 12, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Boyne City Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Boyne City Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Boyne City Public Schools are described in Note I to the financial statements. No new

accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 8, 2008.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*